

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
SEPTEMBER 27, 2024, BOARD MEETING (IN-PERSON)**

MEMBERS PRESENT: Tammy Miller, Lt. Governor, Chair
Dr. Rob Lech, TFFR Board, Vice Chair
Thomas Beadle, State Treasurer, Parliamentarian
Joseph Heringer, Commissioner of Univ. & School Lands
Pete Jahner, Investment Professional
Sen. Jerry Klein, LBSFAB
Cody Mickelson, TFFR Board
Adam Miller, PERS Board
Joe Morrissette, PERS Board
Dr. Prodosh Simlai, Investment Professional
Art Thompson, Director of WSI

MEMBERS ABSENT: Rep. Glenn Bosch, LBSFAB
Susan Sisk, Director of OMB

STAFF PRESENT: Scott M. Anderson, CIO
Eric Chin, Deputy CIO/Head of AFM
Derek Dukart, Sr. Investment Analyst
Jennifer Ferderer, Fiscal/Investment Admin.
Chirag Gandhi, Portfolio Mgr.
Brian Hermanson, Investment Accountant
Rachel Kmetz, Fiscal/Investment Operations Mgr.
Missy Kopp, Exec. Assistant
George Moss, Portfolio Mgr.
Sarah Mudder, Communications/Outreach Dir.
Jan Murtha, Exec. Dir.
Matt Posch, Portfolio Mgr.
Emmalee Riegler, Procurement/Records Coord.
Chad Roberts, DED/CRO
Ryan Skor, CFO/COO
Mike Schmitzke, Sr. Investment Accountant
Dottie Thorsen, Internal Auditor
Nitin Vaidya, Chief Risk Officer
Tami Volkert, Compliance Spec.
Susan Walcker, Sr. Financial Accountant
Jason Yu, Risk Officer
Lance Zietlow, Portfolio Mgr.

GUESTS: Jill Baber, NDIT
Michele Blumhagen, NDIT
Dean DePountis, Attorney General's Office
Marc Gesell, Verus
Kim Weis, NDIT
Members of the Public

CALL TO ORDER:

Lt. Gov. Miller, Chair, called the State Investment Board (SIB) regular meeting to order at 8:30 a.m. on Friday, September 27, 2024. The meeting was held in the Workforce Safety and Insurance Board Room, 1600 E Century Ave., Bismarck, ND.

The following members were present representing a quorum: Treasurer Beadle, Commissioner Heringer, Mr. Jahner, Sen. Klein, Dr. Lech, Mr. Mickelson, Mr. Miller, Lt. Gov. Miller, Mr. Morrisette, Dr. Simlai, and Mr. Thompson.

ACCEPTANCE OF AGENDA:

The Board considered the agenda for the September 27, 2024, meeting.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A VOICE VOTE TO APPROVE THE AGENDA AS DISTRIBUTED.

**AYES: COMMISSIONER HERINGER, TREASURER BEADLE, MR. MILLER, MR. THOMPSON, DR. SIMLAI, MR. MICKELSON, SEN. KLEIN, DR. LECH, MR. MORRISSETTE, MR. JAHNER, AND LT. GOV. MILLER
NAYS: NONE
ABSENT: REP. BOSCH AND MS. SISK
MOTION CARRIED**

MINUTES:

The Board considered the minutes of the July 26, 2024, SIB meeting.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. THOMPSON AND CARRIED BY A VOICE VOTE TO APPROVE THE JULY 26, 2024, MINUTES AS DISTRIBUTED.

**AYES: MR. MICKELSON, COMMISSIONER HERINGER, MR. MORRISSETTE, MR. THOMPSON, TREASURER BEADLE, DR. LECH, MR. JAHNER, SEN. KLEIN, MR. MILLER, DR. SIMLAI, AND LT. GOV. MILLER
NAYS: NONE
ABSENT: REP. BOSCH AND MS. SISK
MOTION CARRIED**

EDUCATION:

AI State Policy and Practices:

Ms. Weis and Ms. Baber, NDIT, provided education on the development of policy for state agencies on the use of artificial intelligence (AI) and some of the opportunities for AI application. Uses of generative AI included content creation, customer service, writing assistance, summarization, product design, coding assistance, and assisting in data analytics. An overview of AI dos and don'ts was provided along with considerations of bias, validity, ethics, big data, and security when using AI. Board discussion followed.

AI Application in Investments:

Mr. Posch provided a demonstration of the opportunities for using AI in the investment program. Board discussion followed.

INVESTMENTS:

Quarterly and Annual Performance Update:

Mr. Gesell, Verus, provided the quarterly and annual performance update as of June 30, 2024. Mr. Gesell reviewed the economy and its effect on performance. A summary of performance was provided for PERS, TFFR, WSI, and the Legacy Fund. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY COMMISSIONER HERINGER AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE QUARTERLY/ANNUAL INVESTMENT PERFORMANCE UPDATE.

AYES: SEN. KLEIN, COMMISSIONER HERINGER, DR. SIMLAI, MR. MORRISSETTE, MR. MICKELSON, MR. MILLER, TREASURER BEADLE, MR. JAHNER, MR. THOMPSON, DR. LECH, AND LT. GOV. MILLER
NAYS: NONE
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Internal Investment Initiative Update:

Mr. Anderson provided an update on the progress of the internal investment initiative. The hiring process for the internal team is progressing. The order/portfolio management system agreement was signed, and the development of a work plan is underway. An updated organizational chart for RIO and specifically the Investment program was presented. Mr. Anderson reviewed the timeline of tasks related to the internal investment program and items that have been completed. Board discussion followed.

SIB Client Update:

Mr. Skor provided an update on the onboarding and offboarding of SIB clients. Staff have successfully onboarded three new client funds and investments have been made according to each fund's investment policy statement. RIO was informed that the ND Association of Counties wishes to transition their funds away from the SIB. This process started in September and will be completed by the end of the calendar year. The ND University System has indicated their intent to expend the remaining money in their Capital Building Fund. After the departure of those funds, the number of statutory and contractual client funds will be at 29. Board discussion followed.

The Board recessed at 10:37 a.m. and reconvened at 10:47 a.m.

GOVERNANCE:

Investment Committee (IC) Update:

Treasurer Beadle provided an update from the August 9, 2024, September 13, 2024, and September 16, 2024, IC meetings. At the August 9th meeting, Mr. Vaidya reviewed the risk program strategy, followed by a closed-session private markets manager recommendation from Mr. Zietlow and Mr. Moss. Mr. Chin proposed pooling Legacy Fund and insurance manager portfolios to reduce costs and operational effort, which the investment committee approved. Presentations on external manager selection tools and public markets funds management followed. On September 13, Mr. Anderson reviewed fiscal year-end performance, and a manager recommendation was made in closed session. Public market manager guidelines for the Equity 2.0 transition were also discussed. On September 16, Mr. Anderson reviewed the investment consultant strategy, followed by closed-session interviews of prospective asset allocation consultants. Board discussion followed.

Asset Allocation Consultant:

Mr. Anderson provided an overview of the consultant strategy that was approved by the Board. The Board approved a consulting strategy in April, moving from a general consulting arrangement to a specialist-focused model to address the growing complexity of the investment portfolio. Several consultants were hired, including compensation, benchmark, and performance compliance consultants to oversee investment compliance. The investment committee also interviewed prospective asset allocation consultants and recommended hiring one to assist in regularly reviewing and updating capital market assumptions and asset class allocations, ensuring more frequent updates and better decision-making for asset allocation strategy.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO ENTER INTO EXECUTIVE SESSION PURSUANT TO NDCC 44-04-19.2 AND 44-04-18.4(6)(b) TO DISCUSS EXEMPT PROPOSAL PROCUREMENT INFORMATION DURING A COMPETITIVE BIDDING PROCESS.

AYES: TREASURER BEADLE, MR. JAHNER, MR. THOMPSON, COMMISSIONER HERINGER, MR. MORRISSETTE, DR. SIMLAI, DR. LECH, MR. MILLER, SEN. KLEIN, MR. MICKELSON, AND LT. GOV. MILLER
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The executive session started at 11:00 a.m. and ended at 11:10 a.m. The session was attended by Board members, staff, and Mr. DePountis.

IT WAS MOVED BY DR. LECH AND SECONDED BY TREASURER BEADLE AND CARRIED BY A ROLL CALL VOTE TO APPROVE THE PROCUREMENT OF THE VENDOR MOST SUSCEPTIBLE TO AWARD.

AYES: MR. MORRISSETTE, MR. MILLER, SEN. KLEIN, MR. MICKELSON, DR. LECH, MR. JAHNER, MR. THOMPSON, DR. SIMLAI, COMMISSIONER HERINGER, TREASURER BEADLE, AND LT. GOV. MILLER
NAYS: NONE
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Governance and Policy Review (GPR) Committee Update:

Dr. Lech provided an update from the September 10, 2024, GPR Committee meeting. The overarching theme of the last meeting focused on open and exempt records, particularly in relation to investment data. The GPR committee emphasized the appreciation for staff's commitment to transparency, while also exploring ways to continuously improve by reviewing other states' practices. After evaluating various models, the committee leaned toward adopting a "list model," like Texas, for clarity on what is public and confidential. Additionally, the discussion extended to how board members access confidential information, with the committee agreeing that a formal policy is needed, and Weaver was recommended to draft this policy for review. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY DR. LECH AND CARRIED BY A ROLL CALL VOTE TO APPROVE AMENDMENTS TO THE AUDIT COMMITTEE AND INTERNAL AUDIT PROGRAM CHARTERS.

AYES: SEN. KLEIN, COMMISSIONER HERINGER, DR. LECH, MR. MILLER, TREASURER BEADLE, DR. SIMLAI, MR. MICKELSON, MR. JAHNER, MR. THOMPSON, MR. MORRISSETTE, AND LT. GOV. MILLER
NAYS: NONE
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Audit Committee Update:

Treasurer Beadle provided an update from the August 14, 2024, meeting. The Committee reviewed and approved the year-end audit activities and audit charters, which had been developed in consultation with Weaver. Weaver also provided updates on the internal audit maturity process, focusing on enhancing staff capabilities for effective auditing. A key discussion point was the current staffing limitations in the internal audit team, which consists of only two FTEs. The committee is considering using external consulting to address these gaps and may propose additional staffing in the next legislative session to strengthen internal audit capacity. Board discussion followed.

Securities Litigation Committee (SLC) Update:

Commissioner Heringer provided an update from the September 19, 2024, SLC meeting. The SLC completed committee elections and their annual review of the committee charter. The SLC received case updates on

pending litigation and a securities litigation monitoring report. The committee discussed the process for responding to inquiries from securities litigation firms regarding litigation participation opportunities. Board discussion followed.

QUARTERLY MONITORING REPORTS:

Executive Limitations/Staff Relations:

Ms. Murtha provided the Executive Limitations/Staff Relations Report. Ms. Murtha reviewed the status of current staffing activities and current projects and initiatives. RIO staff attended an all-staff training on Monday September 23, 2024, which focused on building engagement and addressing work-life balance to prevent burnout, as identified in the strategic planning process. The team received "Working Genius" training, which helped them understand how to structure meetings more effectively and the need to identify the purpose and goals of those meetings to reduce frustration. Additionally, the team participated in creating self-care kits, funded by a wellness grant from PERS. Ms. Murtha provided an update on the Attorney General opinion from earlier this year. The request is still pending; however, it has sparked further inquiries from some legislators, prompting outreach to RIO and the Governor's Office. Lt. Gov. Miller and staff from the Governor's Office have been instrumental in coordinating discussions. Board discussion followed.

Annual Technology Report:

Ms. Blumhagen provided an update on information technology (IT) activities for RIO over the past year. The review included agency collaboration activities, large IT project updates, and security incidents statewide and training activities completed by RIO staff. Board discussion followed.

Annual Internal Audit Activities:

Ms. Thorsen provided the Annual Audit Committee Activities report for the fiscal year (FY) ended June 30, 2024. The report provided an overview of all IA activities including the IA Maturity Development Process Review and the TFFR Pioneer Project. Ms. Thorsen reviewed completed audits and administrative activities of the IA staff. Board discussion followed.

Quarterly Budget/Fiscal Conditions Report:

Mr. Skor provided on update on budget and fiscal conditions for the quarter ended June 30, 2024. The report included budget appropriation status, an expenditure summary, and the status of the pension administration system project. Staff have been working closely with the external auditors to complete the financial audit for FY 2024. Board discussion followed.

IT WAS MOVED BY TREASURER BEADLE AND SECONDED BY MR. THOMPSON AND CARRIED BY A ROLL CALL VOTE TO ACCEPT THE EXECUTIVE LIMITATIONS/STAFF RELATIONS, ANNUAL TECHNOLOGY, ANNUAL IA ACTIVITIES, AND QUARTERLY BUDGET/FISCAL CONDITIONS REPORTS.

AYES: DR. SIMLAI, TREASURER BEADLE, COMMISSIONER HERINGER, SEN. KLEIN, MR. THOMPSON, DR. LECH, MR JAHNER, MR. MORRISSETTE, MR. MICKELSON, MR. MILLER, AND LT. GOV. MILLER

NAYS: NONE

ABSENT: REP. BOSCH AND MS. SISK

MOTION CARRIED

ADJOURNMENT:

With no further business to come before the SIB, Lt. Gov. Miller adjourned the meeting at 11:57 a.m.

Prepared by: Missy Kopp, Assistant to the Board